

BUSINESS CONDITIONS & FORECASTS

A M A News Letter

AMERICAN MANAGEMENT ASSOCIATION, 330 WEST 42nd ST., NEW YORK, N. Y.

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The President's Scratch-Pad



ALVIN E. DODD

At the recent AMA Manpower Conference, someone asked General Hershey about the draft status of employment and personnel managers (presumably those whose concerns were engaged in war work). The General gave this illuminating reply: "One hundred and thirty million people know that they cannot doctor other people; they do not attempt to preach from the pulpit or even from the floor, nor do they attempt to build a bridge from blueprints—but they would not hesitate to take over your business any time you are ready to step out."

The Selective Service Director was speaking neither facetiously nor sardonically. He meant that unless a man bore the label of one of the established professions there would be difficulty in determining his status and essentiality in the war effort because of the lack of standards against which his status could be measured. While personnel management is considered a "critical" occupation by the WMC and Selective Service, it is still difficult to determine what qualifies a man to call himself a personnel manager.

What Makes a Personnel Man? General Hershey meant his comment to apply, of course, not only to personnel managers but to many other kinds of business executives. In other words, the "business man," aside from family ties that might defer him, is made to appear "dispensable" because there are thousands who claim they are eligible to take his place when he leaves his job.

But the General's statement has special significance for personnel executives, for, as a practical matter, relatively few untrained and inexperienced people would claim the qualifications of a production manager, sales manager, insurance buyer, etc., while they would have much less hesitancy about asserting their compe-

tence as personnel administrators. As proof of this, it is only necessary to advertise for a personnel director in the classified columns of any of our metropolitan newspapers. A few of the letters of application will come from persons who appear to be qualified, but the great majority will be sent by an astonishing variety of dilettantes, including social workers, scoutmasters, justices of the peace, camp counselors, lawyers, etc. Indeed, many persons apparently feel that a course in psychology or simply a great understanding of human nature is about all that one needs to be eligible for the job of personnel manager.

One company executive, after interviewing a number of candidates for the position of personnel manager, reported that the applicants ranged from a maiden lady who had obviously slipped from a late adolescence into early senility to young men recently graduated from college with a smattering of Liberal Arts courses in psychology and economics.

He commented further: "In reflecting upon these many interviews and the various personalities involved, one cannot wholly blame the candidates. Management was often to blame: to blame for creating jobs and filling them with people who were often not even moderately qualified for them. For many of these individuals had already held personnel jobs, at least as subordinates. That they did not grow in competency, in responsibility, and in esteem was usually because of the poverty of equipment they brought to their jobs, particularly when the job was poorly defined and limited in scope."

The truth might just as well be faced: The standards for the personnel profession (and this goes for many other managerial jobs) are loose and ill-defined. This is partly the fault of personnel executives themselves, partly that of top management. The former have made no really sustained and cooperative effort to develop any professional standards, while the latter has all too frequently been careless in selecting men for the important job of handling the industry's human relations.

Alvin E. Dodd

BUSINESS OUTLOOK

Business is now focusing its attention on the Office of Economic Stabilization, waiting for answers to such problems as the \$25,000 salary-after-taxes limitation; control of salaries under \$5,000; procedure for handling voluntary wage increases; and the outlook for subsidies. Upon the successful culmination of this stupendous venture to stabilize wages, salaries, rents, prices and profits depends the future of our economic system.

Manpower Shortage

Still before the nation is the showdown with respect to allocation of manpower, a proper division of which must be made if the war effort is to continue. The drafting of the 18-19 year olds is a step toward the relief of industrial manpower.

One of the authorities quoted on the inside of this LETTER says that ultimately we must follow the pattern of all the other major powers engaged in this war and have a National Service Act for the all-out control of manpower and womanpower. It advises industry to read the handwriting on the wall and to get busy training replacements for its deferred workers who will soon be called up for military duty.

Employment and Wages

The number of employed has reached the highest figure on record, 50,400,000 in July, and factory workers are earning the highest wages on record, 85 cents an hour (July).

National Income

National income in August, at \$11,072 million, registered a gain of 21.8 per cent over a year ago. For the first time in history the total money in circulation exceeds \$100 for every man, woman and child.

War Spending

The Director of the Budget estimates that war spending for the fiscal year will total \$78 billion, almost nine times all governmental expenditures in the fiscal year 1939-1940.

BUSINESS CONDITIONS & FORECASTS

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	Alexander Hamilton Institute	Brookmire, Inc.	Business Week
General Outlook	National income rose in August for the sixth consecutive month to the highest level on record, \$11,072 million, 21.8% above a year ago. Previous high was \$10,672 million in July. During the last 4 months, national income should approximate \$40 billion, bringing 1942's total to \$120 billion (October 17).	According to Department of Commerce figures, the national income in August, at \$9,269 million, showed an increase of 23.3% over a year ago. For the first time in history, the total money in circulation exceeds \$100 for every man, woman, and child in the country (October 14).	Stock prices have surged upward—witness the million-share days on the New York Stock Exchange. This advance, having carried stock prices up faster than the rise in business activity, has caused the first sign of an upturn in the index of speculative confidence since the spring of 1940 (October 17).
Money and Credit	The latest budget estimate indicates that the government expects to spend \$56,932 million during the last 9 months of the current fiscal year. This means average monthly expenditures of \$6,326 million, or more than the record high of September, \$5,931 million. Receipts in September amounted to \$2,527 million (Oct. 17).	September war spending skyrocketed by another half a billion dollars, an increase of 305% over a year ago. The Budget Director has revised upward the estimates for war spending to a total of \$78 billion for the current fiscal year. Government expenditures for all purposes in 1939-40 totaled less than \$9 billion (October 14).	War expenditures in September amounted to \$5,500 million, against \$4,700 million in August and \$4,100 million at midyear, a rise of almost 35%. Money in circulation for the latest week for which figures are available totaled \$13,830 million, compared with \$13,708 million the preceding week (October 17).
Security Markets	Stock prices for the week ended October 13 were more favorable than in the preceding week, although 9.8% below the level of a year ago. The index was 31.7, comparing with the year's high of 32.1 and the low of 25.8. The index of bond prices for the same week reached the year's high of 89.6. Low was 85 (October 17).	Since some of the channels for spending surplus funds are being closed, a growing proportion may be attracted to the stock market. Though stock prices are up from the lows, and though an advance is ordinarily broken down by reactions, they are rather low this year in relation to past averages (October 14).	During the past month stock values spurted sharply while the level of business activity remained virtually constant, lifting the confidence index (the cash value that investors and speculators place on a given volume of business activity) 10% (October 17).
Production	The index of the quantity of goods produced rose to 143.7 in August from 139.2 in July, due to greater activity in all major economic fields. Manufacturing activity rose to the highest level on record and expansion in mine output was sharp. Total output of all products was 10.8% larger than a year ago (October 17).	The Federal Reserve Bank's production index of consumers durable goods declined 14% from July to August and 65% from August, 1941. Meanwhile the index of producers durable goods gained 4% in the month period and 46% in the year period (October 7).	The steel industry this week was at 100.2% of rated capacity, the first time it has topped the theoretical maximum operating rate since 1929. The steel industry figures its capacity at 1,710,000 tons a week, so output this week was 1,714,000 tons. The theoretical ceiling in 1929 was 1,334,000 tons (October 17).
Distribution	The value of department store sales in the U. S. in September was larger than in August but the increase was less than the usual seasonal amount. The Federal Reserve Board's seasonally adjusted sales index declined to 125 from 130 in August. September sales were 8% above a year ago (October 17).	Production of consumers durable goods will virtually disappear; consumption goods likely to be rationed will include not only scarce imported products but such staples as meat; retail trade and distributing organizations will be affected by the curtailment in non-essential products (October 7).	Department store sales showed a 2% gain in the latest week for which figures have been released over the same week of the preceding year. Last week the corresponding figure was a 5% advance, a month ago the gain was 26% and a year ago it amounted to 35% (October 17).
Construction	Building contracts, on which manufacturers are considerably dependent, showed a contra-seasonal drop from July to August. Contracts in August were 7.6% smaller than in the same month last year. Contracts amounting to 116,951,000 square feet were reported by F. W. Dodge in August (October 17).		Engineering construction awards in the latest week for which figures have been compiled totaled \$27,017,000 according to <i>Engineering News-Record</i> (4-week daily average). This was a drop of \$2,021,000 from the preceding week, but an advance of \$9,723,000 over a year ago (October 17).
Agriculture	The index of the quantity of farm products shipped rose from 123.6 in July to 134.1 in August. The Dept. of Agriculture estimates the 1942 cotton crop at 13,818,000 bales, compared with 10,774,000 last year. Government loan rates on cotton, rice, tobacco and peanuts are raised to 90% of parity (October 17).		The index of prices of domestic farm products in the latest week for which such figures are available at 186.5 showed a decrease of .5 from the preceding week, according to BLS. A year ago the index stood at 157.5. The country has its second largest cotton crop in its history (October 17).
Commodity Prices	Commodity prices averaged slightly higher in September than in August on the basis of preliminary figures. After rising for 7 consecutive weeks to a new wartime high of 169.9, the BLS price index of 28 basic commodities declined during the week ended October 9 to 169.6, 10% above the level of a year ago (October 17).	Inflationary developments in Washington were reflected in rising prices of some commodities that still have a free market. In the House, the purported anti-inflation bill passed—284-96—after inclusion of a provision inflating parity levels of farm prices by allowing for increased labor costs (September 24).	Moody's spot commodity price index in the latest week for which figures are available stood at 234.7, compared with 235.6 the previous week and 210.7 a year ago. No direct control over wheat prices has been imposed, and it is doubtful if any basic farm commodity will find itself under a ceiling in the near future (October 17).
Labor and Wages	The BLS factory employment index rose to a record high of 145.3 in August from 142.2 in July, 133.1 in August, 1941, and from 99.5 in August, 1939. Factory payrolls were the highest in history, 135.1% above August, 1939. July's employed numbered 50,400,000 and factory workers made on the average 85¢ per hour (Oct. 17).	The draft plus essential war work will tax our manpower resources. The labor question may well involve rush training of skilled workers or trying out of women for certain operations. Recruiting of Negroes, older persons and other expedients may be required (October 7).	Congress has moved rapidly to consider the 18-19-year-old draft as a means of relieving in part the draft on industry's manpower in higher age groups. Labor shortage in strategic metal mines evoked WPB order halting production of gold for the duration (October 17).
Foreign Trade and Conditions	The value of merchandise exported from the U.S. during the first 7 months rose to \$4,012 million this year from \$2,445 million in the corresponding period last year. The value of imports during the 7 months declined to \$1,652 million this year from \$1,872 million last year (Oct. 3).		The Civil Aeronautics Board has invited domestic and foreign airlines to apply for temporary certificates to operate from Miami to Caribbean islands, Central America and northern South America. Canada will concentrate during the next few weeks on putting over her third victory loan drive for \$750 million (October 17).

This digest covers the views of various authorities. It does not include any strictly confidential information or specific advices from the sources.

	Dun's Review	Cleveland Trust Company	National City Bank
—witness the rk Stock Ex- d stock prices activity, has in the index pring of 1940	Production continues to expand at approximately the same rate as in recent months. With less output available for civilians and threatened shortages, consumers' and distributors' buying mood is more liberal, contrasting with recent conservatism. Sales show larger gains over 1941. Wholesale prices declined (November).	Typical of new developments connected with our war effort was the appointment of a director of economic stabilization who is to be charged with the duty of coordinating all our governmental efforts to stabilize wages, salaries, rents, prices and profits (October 15).	The country has entered the third inflation period within the experience of men active today. It is not duplicating either of the others. Reflecting government policy on price control, the over-all commodity price advance and the rise in living costs have been less steep than during the last war (October).
amounted to on in August rise of almost e latest week aled \$13,830 illion the pre-	Bank clearings in 24 cities in September increased 7% over August; the total of \$32,394,411,000 was 18% larger than in 1941. Business failures continued to decline in September, lowering the seasonally adjusted insolvency index to 31.7 from 36.7 in August and 48.4 last year (November).	Our war expenditures are now running at rates above \$220 million a day (October 15).	Estimated 1943 government spending will total \$76 billion, less than two-thirds of which will be absorbed back into the Treasury, unless taxes, savings and bond buying increase. The remainder, which will have to be borrowed from the banks, will total on these assumptions almost \$30 billion, one-fourth of national income (October).
values spurred s activity re- the confidence and specula- ness activity)	A revival in security markets lifted stock prices and turnover to the highest point of the year. By mid-October the Dow-Jones industrial average reached 115.01, up from 106.38 a month ago. Daily average turnover on the New York Stock Exchange increased to 730,449 shares, compared with 377,997 for September (November).		Stock market inflation is being escaped, chiefly, no doubt, because of the heavier taxes laid upon both corporations and individuals. The index of industrial stock prices (Standard Statistics, August, 1939=100) stood at 78 in August, compared with 93 a year earlier. In July, 1929, the figure was 299; in July, 1917, 162 (October).
at 100.2% of s topped the e since 1929. at 1,710,000 was 1,714,000 n 1929 was	The increase in industrial activity is more and more dependent on the rising trend of war production. The seasonally adjusted FRB index of total output advanced from 183 to 185 in September. Durable manufactures expanded from 256 to 263, while non-durable manufactures declined from 140 to 139 (November).	Physical volume of industrial production was a little higher in August than in July according to preliminary figures. Revised figures indicate that August volume was 20% above normal, although Donald Nelson says that deliveries were 14% behind schedule, and that they were spotty in September (October 15).	Diversion of production from civilian to war use goes on, and the curtailment of supplies will become more apparent as accumulated stocks of goods diminish in a growing number of lines. The gap between spendable income and civilian production is the source of the inflationary pressure on prices (October).
2% gain in have been re- ceding year. e was a 5% s 26% and a ber 17).	The expansion in income—now 25% larger than a year ago—is more noticeable in retail markets than in past months. Aided by anticipatory purchasing in selected lines, a general upswing in buying lifted retail sales an estimated 10—15% above 1941 in early October. In September, volume was about 5% above 1941 (November).	Railroads are carrying more than twice as much freight as just before the war. August carloadings were 43% above the level of the base period (1935-39=100). Ton miles by August had moved upward to the high level of 221. The past year has shown no real increase in volume of freight moved by trucks (October 15).	
in the latest mpiled totaled ering News- is was a drop week, but an ago (October	Completion of most of the present war construction program is scheduled by mid-1943. Heavy engineering and industrial building awards continued substantially larger than last year, while building permits were 53% less than 1941 in September (November).		
farm products h figures are se of .5 from BLS. A year e country has history (Oc-			Advances in prices of farm products have been almost as sharp as during the first 3 years of the last war, up 74% in this war as compared with 89 in the last. This rise started from a low level, as farm prices at the outbreak of the war were about one-third lower than in the '20's, and lower even than in 1914 (October).
index in the available stood previous week control over it is doubtful d itself under er 17).	After reaching a new wartime peak of 161.45 on October 1, the wholesale commodity price index edged off to 159.80 by mid-month, practically unchanged from a month earlier and 2.30 points above the March high of 157.50. The Fairchild retail price index (excludes foods) held steady for the third successive month (November).		During the past month commodity prices have been advancing. The rise in the averages has been moderate, but after 5 months of great stability the BLS daily index of basic commodity prices has moved into new high ground; the broader index of 900 wholesale prices began a new rise in the latter part of August (October).
consider the 18- ieving in part in higher age c metal mines ction of gold	Factory payroll increases continued to outstrip employment gains in September. A further decline in unemployment reduced the total from 2,200,000 to 1,700,000 persons, lowest since 1929. In September, 1,100,000 more women and 1,800,000 fewer men were in the labor force than last year (November).	Ultimately we shall most certainly have to have a National Service Act for the all-out control of manpower and womanpower. All the other major powers engaged in this war have such provisions in effect. American business will be well advised to prepare for the coming of such eventualities here (October 15).	
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AMA Will Hold Production Conference In New York on November 10-11

Panels and Individual Speakers Will Offer Help on Personnel Problems, Output and Wartime Legislation

How industry has devised ways and means of fulfilling its obligation to turn out \$6 billion worth of production a month will be told at the AMA Production Conference to be held at the Hotel New Yorker, November 10-11.

L. C. Morrow, Vice President of the Association in charge of the Production Division, under whose guidance the Conference has been arranged, will open the Tuesday morning session on "Production—or Else."

The Conference will give practical help by advising what people to use as employees, how to use them to full capacity, and how to get the most out of methods and equipment.

Unusual emphasis will be placed upon an intimate exchange of experiences on several of the new war-created problems confronting production executives.

Speakers on Program

Papers on these topics will be presented by E. J. Tribble, Assistant Works Manager, Worthington Pump and Machinery Corporation, Harrison, N. J.; Harold V. Coes, Vice President, Ford Bacon & Davis, Inc., New York; Channing R. Dooley, Director, Training Within Industry Division, WMC, Washington; and Clifton Cox, Assistant Director, New Jersey District, Training Within Industry Division, WMC, Newark.

Mrs. Anna M. Rosenberg, Regional Director, WMC, New York State, will discuss the activities of the Commission in relation to industrial management, and Ralph T. Seward, Associate Public Member, WLB, will anticipate and analyze questions on wage stabilization legislation.

Other Major Sessions

The Future of the War Production Drive will be the subject of Wednesday's luncheon speaker, W. G. Marshall, Chairman, War Production Drive Policy Committee and Vice President, Industrial Relations, Westinghouse Electric & Manufacturing Co., Pittsburgh.

Panel Sessions

Samuel L. H. Burk, Chief Job Analyst, The Atlantic Refining Company, Philadelphia, will be chairman of the panel session, Tuesday afternoon, on "Women in the Factory." This subject outranked all others in a survey made among production managers for the purpose of determining the Conference program.

Case stories and question-answer presentations will cover such aspects of this subject as selection and training, induction procedures, special facilities, postwar status, supervisory problems, upgrading, wage scales, and working conditions. Mary Anderson, Director, Women's Bureau, U. S. Department of Labor, and David Mack, Employment Manager,

Announces Production Program



L. C. MORROW

Wright Aeronautical Corporation, Paterson, N. J., are among the speakers who will be heard on this panel.

Another round-table session, "Making Suggestion Systems Work," will be presided over by Charles R. Riker, Suggestion System Coordinator, Westinghouse Electric & Manufacturing Company, East Pittsburgh, Pa. The participants in this session will give case stories of methods that have produced successful systems and will examine the employer-employee relationship upon which these systems depend.

President Alvin E. Dodd of the American Management Association will be chairman of the panel on "The Negro Worker" which will pool the experience of companies that are using colored workers successfully in plants which formerly did not hire them. Among the participants of this panel are Ellen M. Davies, Personnel Manager, Waterbury Manufacturing Company Plant, Chase Brass & Copper Company, and Floyd B. Shannon, Chief of Employment Division, Western Electric Company, Kearny, N. J.

The final session of the Conference will be a panel on "The Problem of Absenteeism" presided over by Ivan L. Willis, Director of Industrial Relations, Curtiss-Wright Corporation, New York.

Insurance Conference To Be Held in Chicago

Plans are now under way for the AMA Insurance Conference which will be held at the Drake Hotel in Chicago on Tuesday and Wednesday, December 8-9.

The Council, under the leadership of Reginald Fleming, AMA Vice President in charge of the Insurance Division, is making every effort to have the sessions reflect the war necessities of the attending companies. Fewer subjects than usual will be presented, but they will be given more detailed coverage.

Among the subjects to be considered, mainly in discussion sessions, are: plant protection, government contracts, and war damage insurance.

Manpower Conference Attracts Record Crowds

One of the most significant meetings held since the beginning of the war was AMA's Conference on Manpower and War Labor Problems which attracted record-breaking crowds to the Hotel Pennsylvania, New York, September 29-30.

Industrial executives and representatives of many government agencies showed the greatest interest in this first meeting in the country to consider manpower and wage controls. Ranking members of the War Manpower Commission, the Selective Service System, the U. S. Civil Service Commission, the U. S. Employment Service, the WLB, WPB, and the NLRB appeared on the program to help industry formulate plans.

Industrial leaders, representatives from the CIO and AF of L, and the Deputy Minister of Labour of Canada rounded out the program at which personnel directors learned that they must prove the importance of every employee.

H. V. Coes to Head A.S.M.E.

Harold V. Coes, Vice President of Ford, Bacon & Davis, Inc., New York, and Chairman of the AMA Finance Committee, will be installed as President of The American Society of Mechanical Engineers for 1943 during its 63rd Annual Meeting, to be held at the Hotel Astor, New York, November 30-December 4.

Office Management Sessions Help Solve Wartime Problems

How the war has come to the office—how it has affected office operations, required adjustments in personnel, training, compensation, etc.—was told before the AMA Office Management Conference in Chicago on October 15-16.

One of the most widely attended Chicago meetings gave a comprehensive picture of current problems of the office manager.

